

**United States Senate**  
WASHINGTON, DC 20510-3005

June 21, 2022

The Honorable Jerome Powell  
Chair  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue N.W.  
Washington, D.C. 20551

Dear Chair Powell:

We urge the Board of Governors to take a more active role in promoting racial, ethnic, gender, and economic diversity in leadership positions at the twelve regional Federal Reserve Banks. We strongly encourage the Board of Governors to coordinate the establishment of a standardized process for appointing directors and presidents that promotes meaningful transparency and public input.

The Federal Reserve has long suffered from a lack of diversity, particularly at the leadership level. In the 108-year history of the Federal Reserve System, there have only been four nonwhite Federal Reserve Bank presidents.<sup>1</sup> The Boards of Directors at the Federal Reserve Banks are only slightly better. While diversity among Class C directors appointed by the Board of Governors has increased in recent years, Class A Directors remain 92% white and 69% male, and Class B is 56% male and 61% white, with only a single Latino. This lack of diversity among board members directly contributes to the lack of diversity among bank presidents, as it is the Board of Directors that select Federal Reserve Bank presidents.

In addition to a lack of racial and gender diversity, leadership at the Federal Reserve Banks is notably lacking in sectoral diversity. According to the Federal Reserve Act, the leadership of member banks are supposed to represent “the public” and take “due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers” in the selection of Class B and C Directors. Despite this clear statutory requirement, as of 2021, 75% of current directors came from banking or business, 76% of directors that represented a business represented a big business, and only 5% of bank directors represented labor.<sup>2</sup> Directors are supposed to represent the public, but huge segments of the economy – like small businesses and workers – lack a seat at the table.

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<sup>1</sup> <https://www.brookings.edu/research/diversity-within-the-federal-reserve-system/>

<sup>2</sup> <https://www.populardemocracy.org/sites/default/files/20210709%20Fed-Up%20Diversity.pdf>

The lack of diversity at the Federal Reserve is not only harmful to underrepresented groups, it has a negative impact on the Federal Reserve's dual mandate to promote maximum employment and price stability, to promote the safety and stability of the financial system, and its ability to advance consumer protection and community development. The evidence is clear—diversity impacts results. Studies have shown that companies in the top quartile for racial, ethnic and gender diversity were more likely to have returns above their industries' national medians.<sup>3</sup>

The current makeup of the Federal Reserve Banks does not reflect the demographic and economic diversity of the districts they serve. In order to promote a more effective Federal Reserve System that better represents the American economy, we urge you to lead a coordinated effort with the Federal Reserve Banks aimed at developing and adopting an updated search and selection process for Directors and Presidents at the Regional Banks.

While the Board of Governors only has a direct role in the selection of the Class C Directors, the Governors can, consistent with the Federal Reserve Act, set the process by which Class A and Class B Directors are selected. We are concerned that the current director and president selection process, which is only nominally transparent, allows and encourages the selection of Class A and Class B Directors who are not truly representative of the public. If the Board of Governors wants to increase diversity across the system's leadership, it must change this process.

In order to promote more diverse outcomes, meaningful transparency and public engagement should be brought to the process for selecting Bank Presidents and Class B Directors. This should include, but is not limited to:

- Timely public notification of general selection criteria and estimated timeline.
- Opportunity for the public to submit comments on the overall process and suggest possible questions for the search committee to ask candidates.
- Timely publication of anonymized data regarding the racial, gender, and sectoral demographics of the candidate pool.
- Timely publication of anonymized information about the key questions the candidates are being asked and their responses to those questions.
- At least one public forum at which the search committee presents the above information and at which the public is allowed to present comments on the critical economic issues facing the region.

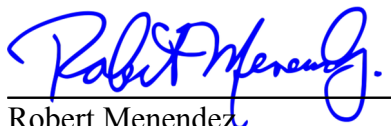
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<sup>3</sup> See e.g., <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

We respectfully request that you respond to this letter no later than July 22, 2022, describing in detail what steps, if any, you are taking to promote diverse outcomes and increase transparency in the director selection process.

We look forward to your responses and continuing our work with you to make the Federal Reserve System a more effective and representative institution.

Sincerely,



Robert Menendez  
United States Senator



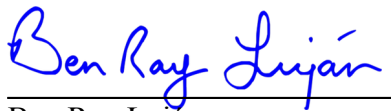
Sherrod Brown  
United States Senator



Elizabeth Warren  
United States Senator



Catherine Cortez Masto  
United States Senator



Ben Ray Lujan  
United States Senator



Bernard Sanders  
United States Senator



Richard J. Durbin  
United States Senator



Raphael G. Warnock  
United States Senator

A handwritten signature in blue ink, appearing to read "Alex Padilla", written over a horizontal line.

Alex Padilla

United States Senator